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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002830

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SUBJECT: LIGHTING A FIRE UNDER IRAQ'S WTO ACCESSION PROCESS

REF: BAGHDAD 2014

Classified By: Economic Counselor Michael Dodson, for reasons 1.4 (b,d)

¶1. (SBU) SUMMARY: The GoI continues to make halting progress toward WTO accession. The Council of Representatives has approved some WTO-compatible legislation, but several complicated bills (including IPR, TBT, and SPS) are either stalled in the drafting phase or stuck with the Iraqi WTO National Council, which lacks technical expertise. Two bigger stumbling blocks include the draft Customs and Tariffs bill, which has become the subject of what may prove a very time-consuming Cabinet debate, and Status of Services (ACC5) offer, which MOT officials acknowledge they do not have the technical capacity to compile quickly. The Minister of Trade has also acknowledged to us that some senior GoI officials are uneasy about the impact of WTO requirements on domestic producers and on customs receipts. However, he hopes to raise the awareness of naysayers as part of a personal effort to "light a fire under the process." END SUMMARY.

Some Steps Forward

¶2. (SBU) Five months after its second Working Party (WP) meeting, the GoI continues to make halting progress on its WTO accession bid. Following the April 2 meeting in Geneva, the WP delivered its follow-up questions to the GoI in early June, but they were not fully circulated within the GoI until August. The WP noted that some WTO-compatible legislation has been enacted, and it welcomed the MOT's reports on Intellectual Property Rights (IPR), agricultural subsidies, sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT). However, the WP requested much more detailed reporting on state-owned enterprises (SOEs) telecom and import licensing, customs law, and tariff regulations. The WP also acknowledged Iraq's legislative action plan, but urged significant updates to it.

Complicated Draft Bills Stuck

¶3. (SBU) In Baghdad, MOT officials say that they are making slow but steady progress on their legislative agenda. However, they acknowledge that several complicated bills (including those covering IPR, TBT, and SPS) are either stalled in the drafting phase or stuck with the interagency Iraqi WTO National Council (WTONC), which must approve them before they move through the Council of Ministers and on to the Council of Representatives (COR). According to Tharwat Akram Salman, Director of the MOT's WTO Division, the causes of delay range from a lack of technical expertise to squabbles with Ministry of Justice reps on the WTONC over English translations of pending legislation. Akram Salman noted that the IPR and TBT legislation is particularly complicated, and that the MOT's legal department has limited numbers of drafters capable of handling them. He also said that other ministries appear to have even less capacity, citing, for example, the great difficulty the competent ministries have had in harmonizing countless Saddam-era laws that pertain to various aspects of IPR and SPS and compiling

them into a single, WTO-compatible omnibus bill. A more practical problem stems from the fact that traditionally the WTONC simply did not meet often enough; however, Akram Salman said, the Minister of Trade had pressed to change this, and meetings are becoming more regular.

A Potential Row over Customs/Tariffs Legislation

¶4. (C) While delays on IPR, TBT, SPS and other legislation are largely technical, fundamental disagreements appear to be emerging within the Cabinet regarding customs and tariffs legislation. In early August, Finance Minister Bayan Jabr announced publicly that he intended to "make revisions" to the draft customs/tariffs bill. An MOF DG subsequently suggested to USAID-funded contractors that -- in addition to recommending some tariffs that may not be as "flat and low" as the WTO might require -- the FinMin may be seeking to keep the current, Saddam-era customs legislation largely intact. On August 18, Minister of Trade Abdul-Falah al-Sudani told FAS Counselor and Econoff that the Finance Minister and the Prime Minister had "become nervous" about WTO rules advocating low tariffs. "They think we must give up too much" potential customs revenue, al-Sudani said. Others in the cabinet expressed concerns that WTO-compatible tariff legislation could put domestic Iraqi producers at a disadvantage. Al-Sudani, for his part, has argued that low tariffs may lower revenue in the short-term but are sure to boost both trade and customs receipts in the long run. He was confident that, eventually, the GoI would agree on a WTO-compatible customs/tariff draft, but he hesitated to estimate a timeframe. Separately, Akram Salman also expressed guarded optimism, telling Econoff that "there is no

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philosophical or political disagreement on the law -- only mathematical."

A Long Road on ACC5

¶5. (SBU) In addition to legislation, the GoI faces difficulties in providing Iraq's services offer (ACC5) in a timely manner. In April, the GoI agreed to the ambitious goal of completing two of the service offer's five chapters by May 2009, the tentative date for the next WP meeting. The MOT's WTO Services Committee, which was formed in May, has made some progress on the tourism chapter. However, Akram Salam told Econoff that "we just don't have the experts who can handle" the other four chapters (telecom, construction/engineering, transportation and business services) expeditiously.

Comment: Putting Some Fire Under the WTO Process

¶6. (SBU) No one ever expected Iraq's WTO accession process to be a rapid one. And there is one bit of good news at this stage: Aside from the customs and tariffs bill, the slow progress really is not a "philosophical or political," but rather, the result of lack of capacity or, increasingly, the Council of Representative's intensely crowded legislative docket. The other good news is that Minister al-Sudani and the rest of the MOT are indeed committed to moving the WTO package forward. At our Aug. 18 meeting, Al-Sudani reaffirmed his eagerness to show leadership, saying that he intended to hold a roundtable with key ministers who have a stake in the WTO and "put some fire under the process." We will continue to monitor progress and, where appropriate, add fuel to al-Sudani's fire. End Comment.
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